

Message Text

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ACTION EB-08

INFO OCT-01 NEA-11 ISO-00 CAB-02 CIAE-00 DODE-00
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C O N F I D E N T I A L KATHMANDU 2416

ROME FOR RCAA

E.O. 11652: GDS

TAGS: EAIR, BBAK

SUBJECT: RNAC'S SECOND JET: PROPOSED CHARTER SERVICE TO NEPAL

REF: KATHMANDU 1081 (NOTAL)

1. EMBASSY IN PROCESS OF PREPARING AIRGRAM ON ACQUISITION BY ROYAL NEPAL AIRLINES CORP (RNAC) OF SECOND BOEING 727 JET SCHEDULED TO ARRIVE KATHMANDU LATER THIS WEEK. ONE OF PZINTS OF SOME PUBLIC CONTENTION LOCALLY IS WHETHER RNAC PAID TOO MUCH FOR NEW AIRCRAFT (AND/OR IF SOMEONE POCKETED SIZABLE AMOUNT OF MONEY). LATTER ISSUE, WHICH WAS INTERESTING PRIMARILY IN CONTEXT OF WHO DID WHAT TO WHOM, HAS TAKEN ON CONSIDERABLY GREATER SIGNIFICANCE IN VIEW OF FOLLOWING:

2. MR. WILLIS H. KENNEDY, PRESIDENT OF FIRM DELTA OVERSEAS CORP (DOC) BASED IN LOS ANGELES, CALLED MAY 8 ON EMBOFF TO DISCUSS PROPOSAL WHICH HE IS MAKING TO GO TO ESTABLISH CHARTER SERVICE FROM EUROPE TO NEPAL. DOC WOULD BE IN PARTNERSHIP WITH WEST GERMAN CORPORATION SHARING TOTAL INVESTMENT OF \$4 MILLION. FLIGHTS WOULD BE TWICE WEEKLY NON-STOP FROM LUXEMBOURG
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TO KATHMANDU (REFUELING STOP WOULD BE REQUIRED FOR RETURN FLIGHT DUE TO WEIGHT LIMIT ON TAKEOFF HERE). FOCUS WOULD BE ON PASSENGERS (180 SEATS WITH DC-8 OR 707) IN HIGH SEASON AND MORE ON CARGO DURING SUMMER MONSOONS. CONTACTS WITH PALACE AND CIVIL AVIATION PRODUCED POSITIVE RESPONSE AND KENNEDY EXPECTS LIKE REACTION FROM MINTOURISM. PROBLEM LIES IN GETTING RNAC APPROVAL WHICH HAS VETO POWER ON ALL SUCH FLIGHTS

AND WHICH IS LIKELY TO SEE DOC OPERATION AS CUTTING INTO ITS BUSINESS-I.E. PASSENGER AND CARGO TO AND FROM DELHI. KENNEDY HAS PREPARED PROPOSAL--INCLUDING ONE YEAR TRIAL PERIOD AND GUARANTEE OF TICKETING WITH RNAC FOR ALL DOC PASSENGERS WHO ARE NOT ROUND-TRIPPING WITH CHARTER--WHICH HE HOPES WILL CONVINCE RNAC THAT IT WILL ACTUALLY PROFIT THROUGH CHARTER OPERATION. BUT HE HAS BEEN TOLD HIS TASK WILL BE DIFFICULT, AND WE CONCUR. IN FACT, I,POSSABLE MAYBE BETTER TERM, PARTICULARLY IN VIEW OF REPORTS WE HAVE FROM PRUMHAKAR RANKING RNAC BOARD MEMBER, THAT AIRLINE ACTIVELY CONSIDERING EUROPEAN CHARTERS ITSELF USING SECOND JET.

3. BUT MORE IMPORTANT, DURING COURSE OF CONVERSATION, KENNEDY LET DROP THAT RNAC HAD PAID EXCESSIVE AMOUNT FOR 727 WHICH IT PURCHASED FROM BATCH AIRLINES IN FLORIDA. HE CONFIRMED RNAC FIGURES ON PURCHASE PRICE OF \$4.5 MILLION FOR PLANE AND ADDITIONAL \$.9 MILLION FOR MORE POWERFUL ENGINES. BUT HE SAID HE KNEW FOR FACT THAT SPECIFIC PLANE WHICH RNAC BOUGHT WAS BEING OFFERED FOR \$2.5 MILLION JUST PRIOR TO ITS PURCHASE BY RNAC. MOREOVER, KENNEDY NOTED HE HAD MADE "TERRIBLE MISTAKE" OF TELLING ONE OF KING'S BROTHERS-IN-LAW THAT ONE COULD GET A 727 IN STATES THESE DAYS FOR \$2.5-2.7 MILLION. (THIS PRE-SUMABLY REFERSTO KUMAR KHADGA BIKRAN SHAH, WHOSE NEWSPAPER HIMALI BELA HAS BEEN CARRYING HARD-HITTING ACCUSATIONS AGAINST RNAC RE 727 PURCHASE).

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4. COMMENT/ACTION REQUESTED: (A) WE WOULD APPRECIATE READING ASAP ON GENERAL REPUTATION OF KENNEDY AND DELTA OVERSEAS CORPORATION. KENNEDY STATES FIRM IS ACTUALLY OWNED BY KOREAN IMMIGRANT TO US, ONE YOO IS. CHEE, OF HOLLYWOOD, CALIFORNIA. KENNEDY STATES CHEE HAS BEEN IN U.S. FOR 15 YEARS, MADE IT BIG IN CLOTHING INDUSTRY (FIRM IS APPARENTLY GLOBAL APPAREL BAZAAR, 91019 SO. LOS ANGELES, ST., LA, CA 90015). CHEE IS REPORTEDLY IMPORTANT IN KOREAN COMMUNITY IN LA AND HAS APPLIED TO OPEN LARGELY KOREAN BACKED SAVINGS AND LOAN ASSOCIATION, TO BE CALLED GLOBAL ORIENTAL SLA. AS PLACE TO PUT HIS EXCESS CAPITAL, CHEE HAS BECOME INTERESTED IN RECENT YEARS IN AVIATION AND ESTABLISHED DELTA OVERSEAS WITH KENNEDY AS PRESIDENT. FIRM MAY BE OPERATING AIR CARGO OPERATION BETWEEN KOREA AND WEST COAST.

(B) OUR SECOND CONCERN IS ACCURACY OF KENNEDY INFO ON PURCHASE PRICE OF RNAC 727. PERHAPS HIS INFORMATION IS ABSOLUTELY CORRECT (HE CLAIMS TO HAVE BEEN SOMEHOW INVOLVED WITH ALASKAN AIRLINE PLANE WHICH RNAC ALSO CONSIDERED) AND MAYBE, AS HE CLAIMS, HE DID MENTION LOWER FIGURE TO KEY INDIVIDUAL HERE WITHOUT THINKING OF CONSEQUENCES. BUT IT ALSO OCCURS TO US THAT HE MIGHT HAVE

INTEREST IN MAKING THINGS DIFFICULT FOR RNAC MANAGEMENT,
HOPING HE COULD GET HIS CHARTER PROPOSAL THROUGH IN
RESULTING CONFUSION. IF RNAC OFFICIALS GOT TAKEN (OR HAD
THEIR HANDS IN TILL) THAT IS THEIR PROBLEM, BUT IF
ALLEGEDLY KNOWLEDGEABLE AMERICAN BUSINESSMAN IS SPREADING
FALSE INFORMATION LOCALLY IMPLYING SUCH INCOMPETENCE OR
MALFEASANCE, THAT IS ANOTHER PROBLEM. WE WOULD THEREFORE
APPRECIAT ANY LIGHT DEPT CAN SHED ON CURRENT PREVAILING
PRICE FOR SECOND HAND BEOING 727-100 SERIES IN GENERAL AND

FOR AIRCRAFT BEING OFFERED FOR SALE BY BATCH AIRWAYS IN
APRIL IN PARTICULAR.
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